

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 OES-06 USIE-00 SSO-00
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SS-15 STR-04 OMB-01 CEA-01 NSCE-00 FEAE-00 ERDA-05
ERDE-00 IO-13 L-03 AGR-05 CIAE-00 COME-00 EA-07
FRB-03 INR-07 NEA-10 NSAE-00 OPIC-03 LAB-04
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O 261351Z APR 77

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 6293

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 12145

PASS TREASURY FOR JUNZ

E. O. 11652: GDS

TAGS: CIEC, OECD, EFIN

SUBJECT: CIEC: FINANCIAL AFFAIRS COMMISSION - NEW
SWISS DRAFT ON INFLATION

1. IN FIRST G-8 FAC MEETING APRIL 25 US AND EC
REQUESTED THAT CO-CHAIRMAN PAYTON ATTEMPT TO GET CONTACT
GROUPS ELIMINATED FOR BOTH INFLATION AND COOPERATION
AMONG DEVELOPING COUNTRIES IN APRIL 26 MEETING WITH
YEGANEH PRIOR TO CO-CHAIRMEN'S MEETING. SWITZERLAND
DISAGREED ON INFLATION GROUP AND PROVIDED G-8
WITH "THIRD GENERATION" DRAFT TUESDAY MORNING. AS
FIRST CHOICE OF G-8, PAYTON WILL STILL SEEK TO HAVE
BOTH CONTACT GROUPS DISSOLVED.

2. TEXT OF SWISS DRAFT FOLLOWS. WOULD APPRECIATE
COMMENTS ASAP BY TELEPHONE OR CABLE.

BEGIN TEXT:

MEASURES AGAINST INFLATION
(THIRD GENERATION TEXT)

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1. THE STATES PARTICIPATING IN THE CIEC RECOGNIZE
THAT INFLATION DISTURBS THE FUNCTIONING OF
INTERNATIONAL ECONOMIC AND MONETARY RELATIONS AND
IS DAMAGING TO THE ECONOMIC PROGRESS OF BOTH DEVE-
LOPED AND DEVELOPING COUNTRIES. CONTROL OVER
INFLATION IS THEREFORE VITAL TO THE IMPROVEMENT OF

THE ECONOMIC AND MONETARY ORDER.

2. INFLATION ACCENTUATES NATIONAL AND INTERNATIONAL INCOME AND RESOURCE DISTRIBUTION PROBLEMS, EXCHANGE RATE INSTABILITY AND BALANCE OF PAYMENTS DISEQUILIBRIA. INFLATION PERPETUATES RECESSION AND UNDEREMPLOYMENT AND THUS HOLDS BACK, IN THE LONG RUN, THE GROWTH OF THE WORLD ECONOMY AND OF DEVELOPING COUNTRIES IN PARTICULAR.

3. THE PARTICIPATING STATES ARE DETERMINED TO CONTROL INFLATION AND TO AVOID ANY MEASURES WHICH MIGHT STIMULATE OR PROLONG IT. THEY WELCOME THE EFFORTS MADE BY DEVELOPING AND DEVELOPED COUNTRIES TO CHECK BOTH DOMESTIC AND IMPORTED INFLATION. THEY RECOGNIZE THE NEED TO PURSUE THESE EFFORTS IN ORDER TO ACHIEVE STEADY GROWTH OF THE WORLD ECONOMY AND TO ENSURE THAT DEVELOPMENT POLICIES CAN BE PURSUED ON A SOUND AND STABLE BASIS. THEY AGREE THAT THE ACHIEVEMENT OF THIS TARGET DEMANDS A CONCERTED EFFORT BY THE INTERNATIONAL COMMUNITY.

4. THE CONTROL OF INFLATION REQUIRES EACH COUNTRY TO MAKE ITS CONTRIBUTION. IN VIEW OF THE FACT THAT INFLATION TENDS TO BE TRANSMITTED INTERNATIONALLY, COUNTRIES WITH A WORLDWIDE ECONOMIC INFLUENCE HAVE A MAJOR AND SPECIAL RESPONSIBILITY IN THIS RESPECT.

5. THE PARTICIPATING STATES AGREE THAT, TO RESTORE
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AND MAINTAIN GROWTH WITH STABILITY, ALL COUNTRIES SHOULD ATTACH CONSIDERABLE IMPORTANCE TO THE INFLATION FACTOR IN THE FORMULATION OF THEIR ECONOMIC AND MONETARY POLICIES.

5.L. DEVELOPED COUNTRIES HAVE A SPECIAL RESPONSIBILITY TO CONTAIN WORLD INFLATION THROUGH THE PURSUIT OF MONETARY, FISCAL AND, WHERE APPROPRIATE, INCOME POLICY, SINCE THEIR ECONOMIC POLICIES HAVE WORLDWIDE REPERCUSSIONS.

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C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 12145

MOREOVER, THESE COUNTRIES, AS WELL AS OTHER COUNTRIES,
SHOULD ENCOURAGE EFFECTIVE AND FAIRE COMPETITION BY ALL
ECONOMIC AGENTS, INCLUDING TRANSNATIONAL CORPORATIONS.

IN THIS CONTEXT DEVELOPED COUNTRIES SHOULD ALSO
PROMOTE INTERNATIONAL EXCHANGE OF GOODS, SERVICES AND
CAPITAL, PAYING SPECIAL ATTENTION TO THE NEED TO
IMPROVE ACCESS OF EXPORTS OF DEVELOPING COUNTRIES TO
MARKETS IN DEVELOPED COUNTRIES BY PROGRESSIVELY
REMOVING OR REDUCING TRADE BARRIERS AND OTHER
RESTRICTIONS AFFECTING THESE EXPORTS.

5.2. COUNTRIES EXPORTING RAW MATERIALS, AND IN
PARTICULAR THE OIL PRODUCING COUNTRIES, HAVE AS FAR AS
THEY ARE ABLE TO INFLUENCE WORLD PRICES OF THEIR EXPORT
PRODUCTS, A SPECIAL RESPONSIBILITY TO MAINTAIN ADEQUATE
SUPPLY AT REASONABLE PRICES.

5.3. IN DEVELOPING COUNTRIES STABLE PRICE CONDITIONS
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TEND TO FAVOUR A SOUND ECONOMIC DEVELOPMENT. AS FAR
AS POSSIBLE THESE COUNTRIES SHOULD THEREFORE ATTEMPT
TO FIGHT INTERNALLY GENERATED INFLATION BY THE
APPROPRIATE MEANS AND POLICIES. THESE POLICIES
WILL BE ALL THE MORE SUCCESSFUL AS PROGRESS IS MADE
TOWARDS CONTROL OF INTERNATIONAL INFLATION.

5.4. WITH THE SAME OBJECTIVE IN MIND TO PRODUCE STEADY GROWTH COMBINED WITH PRICE STABILITY, ALL PARTICIPATING STATES AGREE TO STRENGTHEN CONSUMER-PRODUCER COOPERATION AMONG INDUSTRIALIZED COUNTRIES, OIL AND RAW MATERIAL PRODUCING DEVELOPING COUNTRIES AND OTHER DEVELOPING COUNTRIES.

6. THE PARTICIPATING STATES AGREE THAT ANTI-INFLATION POLICY SHOULD ALSO TAKE INTO CONSIDERATION THE QUESTION OF THE GROWTH AND MANAGEMENT OF INTERNATIONAL LIQUIDITY. THEY THEREFORE WELCOME THE STUDIES TO BE UNDERTAKEN BY THE IMF ON THAT SUBJECT. ALL MEMBER COUNTRIES OF THE IMF ARE ALSO URGED TO PROMPTLY GIVE THEIR LEGISLATIVE APPROVAL TO THE RECENT AMENDMENTS OF THE IMF ARTICLE OF AGREEMENT SO THAT THEY MAY ENTER INTO EFFECT AS EARLY AS POSSIBLE.
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